

Funding

On 2nd February 2016 the Company announced that it had raised a total of \$20 million, through the issue of convertible loans to Messrs John Robinson and Nick Paspaley, the owners and controllers of cornerstone investor, Trepang Services Pty Ltd, for the purpose of funding the acquisition of its 83.33% interest in the Dartbrook Joint Venture. The \$20 million raised, together with a further \$4.5 million of cash reserves from AQC, has been placed in escrow pending completion of the Dartbrook acquisition.

On 16 June 2016 the Company announced that it had negotiated a variation of the terms and conditions of these convertible loans. While the total principal amount of \$20 million remained unchanged, the interest rate on these convertible loans was reduced to 10% per annum (*previously 15% per annum*) with these loans now being secured against the Company's assets. Subject to shareholder approval, the principal and interest is able to be converted by the convertible loan holders into ordinary shares in AQC at \$0.015 per share. The Summary Terms and Conditions of the Amended Convertible Loan Deeds are set out in the Company's 16 June 2016 ASX Release. On 10 October 2016 the Company announced that it has received and accepted the First Extension Notice from each of Mr Robinson and Paspaley extending the maturity date on these convertible loans to 1 February 2018.

On 27 April 2016 the Company announced that it has secured the funding necessary to purchase Marubeni Coal Pty Ltd's 16.67% interest in the Dartbrook Joint Venture. Trepang Services Pty Ltd has undertaken to provide the necessary purchase consideration of \$5 million by way of a secured, interest bearing, loan to the Company for this purpose ('the Loan'). The Loan has a three-year term and an interest rate of 10% per annum. The provision of the Loan is subject to the execution of a general security deed over all property of the Company.

On 10 October 2016, the Company announced that it has negotiated variations to the terms of the Convertible Loan Deeds entered into by the Company with each of Mr Nicholas Paspaley and Mr John Robinson that were announced to the ASX on 2 February 2016, and 16 June 2016, together with variations to the Secured Loan Deed that the Company entered into with Trepang Services Pty Ltd that was announced on 27 April 2016 and 16 June 2016 to provide A\$5 million in funding for the purchase of Marubeni Coal's 16.67% interest in Dartbrook. These amendments provide for:

- the approval date for the meeting of shareholders ('Approval Meeting') at which the Company will seek shareholder approval for the conversion of the loans and the granting of the security to be extended from 24 October 2016 to 31 January 2017; and
- the Company has agreed that in the event that shareholder approval is not given for the provision of security at the Approval Meeting or this approval is not obtained by the approval date, the Company will apply to the ASX for a waiver under Listing Rule 10.1 in order to permit the Company (and its subsidiaries) to grant these security interests.

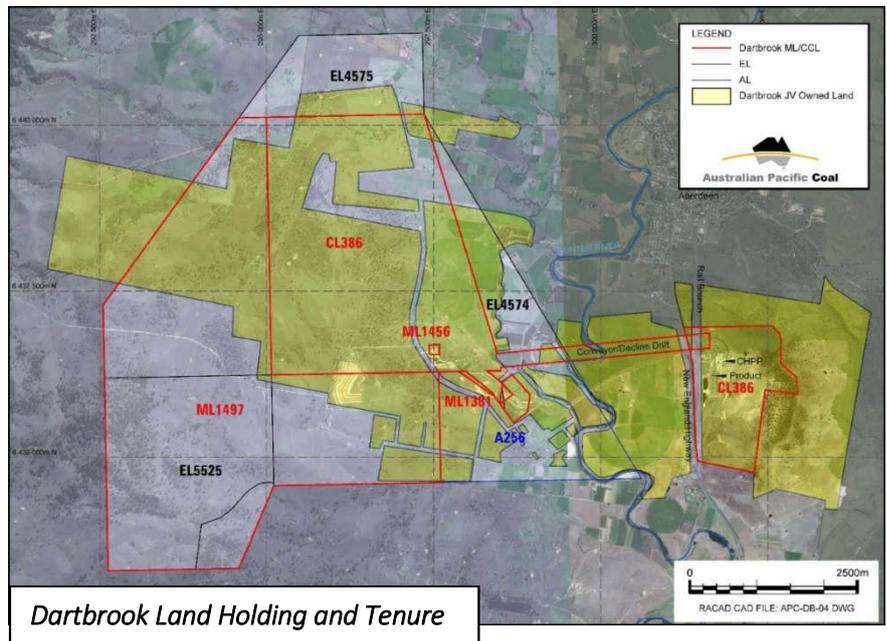
Trepang Services Pty Ltd has also provided a non-binding indication that it intends to arrange for the provision of the balance of AQC's funding requirements in connection with the acquisition of Dartbrook. This funding is subject to AQC and Trepang (or other parties) agreeing the commercial terms and conditions of this funding, formal transactions documents being entered into and any required shareholder approvals being obtained. The Company will be actively working with Trepang to seek to formally secure the required funding as quickly as possible. However, due to the nature of this non-binding indication, there is no assurance that such funding will be secured from Trepang (or other parties).

Dartbrook Project

The Company will be able to move to completion of the Dartbrook acquisition as soon as the remaining conditions precedent under the 'Sale and Purchase Agreement – Dartbrook' are either waived or satisfied. The Company is conducting its activities so as to be in a position to ensure the smooth handover of the mine from the Anglo American Plc group. Consideration is currently being given to the potential for recommencement of the Dartbrook underground mining operations and this analysis is well advanced.

In the coming months the Company anticipates conducting a series of community briefings setting out its proposals for the Dartbrook mine.

Dartbrook is a tier 1 asset, strategically located and well equipped with existing infrastructure and facilities. As concerns about greenhouse gas emissions increase, the Company believes that high quality thermal coal will remain one of the core sources for energy production.



Board and Management Changes

The following changes to the board of the Company took place during the quarter:

- Mr John Robinson Jnr *BAcc, MAICD*, Chief Executive Officer of the Company, was appointed to the role of Managing Director of the Company on the 6th July 2016.
- Mr Shane Stone *AC QC, PGDK, B.A (ANU), LL.B (Melbourne), Grad Dip Ed Admin (Adelaide), Dip Teaching (Sturt), TPTC (Vic), FACE, FAIM, FAICD, F Fin*, was appointed as a Non-executive Director of the Company on 1st August 2016.

The following changes to the management of the Company took place during the quarter

- Mr Greg Kukla was appointed General Manager – Project Development on 11th July 2016.

Annual General Meeting

On the 12th October 2016 the Company announced that it has received approval from the Australian Securities and Investments Commission (ASIC) to the Company's request for an extension of time to hold its Annual General Meeting for the financial period ended 30 June 2016 ('2016 AGM'). The period within which the Company must hold its 2016 AGM has been extended from 30 November 2016 to 13 January 2017.

The Company will confirm the date of the 2016 AGM and will despatch a notice of meeting and accompanying documents to all shareholders in due course.

For further information, please contact:

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Compliance Statement

Dartbrook Coal Resource Estimate:

The information is extracted from the report entitled '*Australian Pacific Coal Commissioned Coal Resource Estimate at Dartbrook of 1.2 billion tonnes*' created on 24 May 2016 and is available to view on www.aqcltd.com.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.